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ABSTRACT

Econometric forecasting models were used to forecast employment levels in the hotel and catering industry in Great Britain through 1993 under several different forecasting scenarios. The growth in employment in the hotel and catering industry over the next 5 years is likely to be broadly based, both across income levels of domestic consumers, sources of expenditure (business, foreign tourists, and domestic consumers) and, increasingly, regions of the country. This is in contrast to other sectors of the service economy, where growth can be expected to be both slower and more cyclical than recently. The forecasts suggest that the industry needs to plan for higher numbers than previously expected. These labor force forecasts have profound implications for labor force policies throughout the industry, particularly in view of the demographic forecasts of a decline in the number of young adults, the traditional recruiting ground for many parts of the hotel and catering industry. They also suggest a need for increasingly skilled staff, particularly in the management and craft areas of the industry. Much of the growth in hotel and catering employment will come outside London. Substantial increases are expected in the northwest, Yorkshire/Humberside, and East Anglia, with lower growth in the more traditional, established tourist areas. (The document includes discussion of key economic factors, such as incomes, exchange rates, marketing factors, and supply-side factors; growth by job category; growth in full-time and part-time employment; and growth by region. Forty figures appear.) (CML)

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NEW EMPLOYMENT FORECASTS
HOTEL & CATERING INDUSTRY 1988-1993

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NEW EMPLOYMENT FORECASTS

HOTEL & CATERING INDUSTRY 1988-1993

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NEW EMPLOYMENT FORECASTS -

HOTEL & CATERING INDUSTRY (1988-93)

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SECTION 1

OVERVIEW

This study has been undertaken in order to review the latest trends in employment in the hotel and catering industry, and to understand the reasons for these trends.

As in the earlier study undertaken six years ago, statistical techniques have been employed to identify the key influencing factors on employment in this industry. The resulting "econometric" forecasting models have been used to forecast employment levels through to 1993 under a number of different forecasting scenarios.

These forecasts show that it is difficult to imagine a situation in which employment levels do not grow significantly over the next five years. The forecasts, therefore, have profound implications for the recruitment and training needs of the industry.

* * * * *

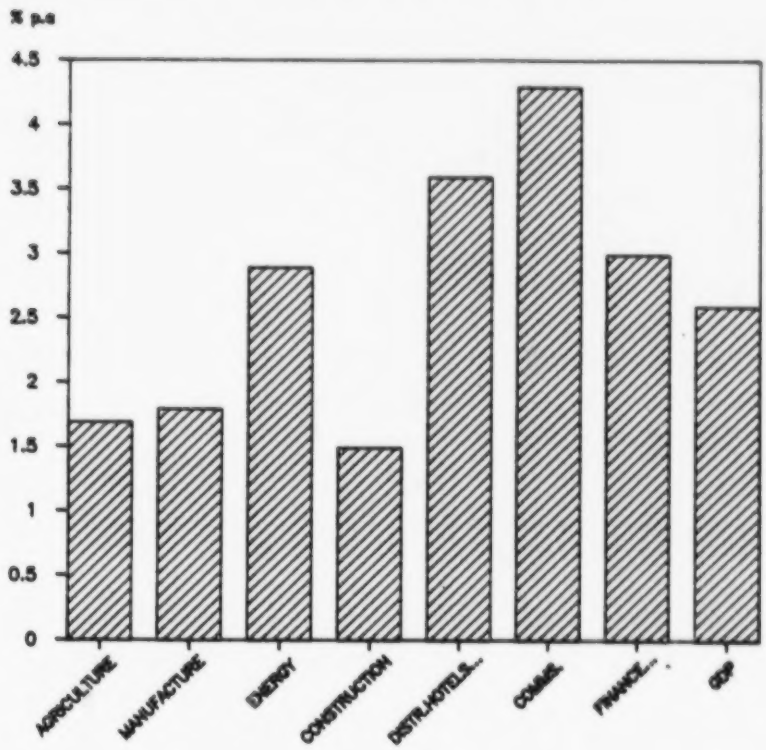
SECTION 2

ECONOMIC BACKGROUND

The British economy has experienced strong and sustained economic growth since the recession of 1980/81 in virtually every sector (see Figure 1).

FIGURE 1

THE UK ECONOMY 1980–1987
REAL OUTPUT GROWTH



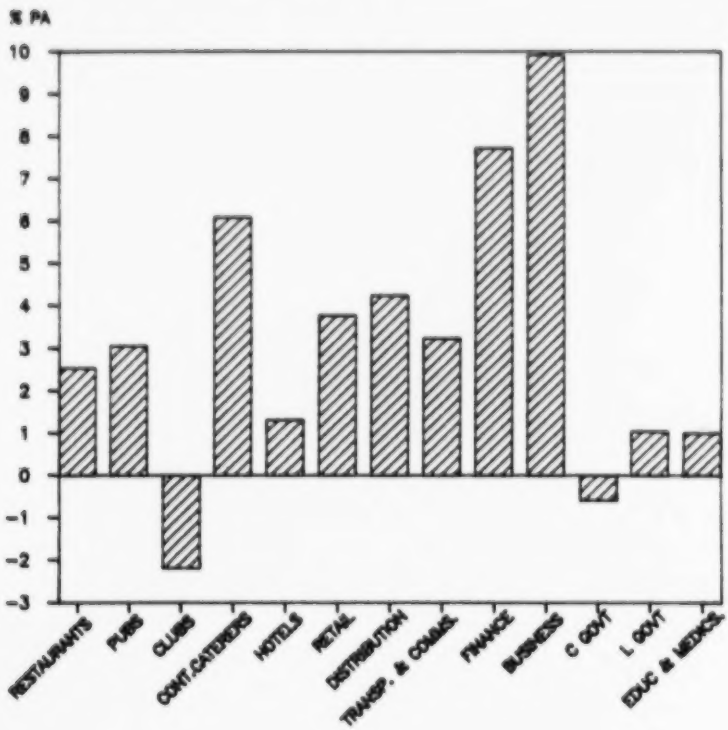
The economy overall has grown in real, inflation-adjusted terms, at a rate of 2.5% per annum between 1980 and 1987. Whilst the star performers have been in areas such as communications, distribution, retailing, financial/

business services as well as hotel and catering, industrial production, manufacturing, construction, and even agriculture, have all grown well. In terms of turnover and output, Britain has been booming.

Looking closer now at the service sector (Figure 2), we see that most parts of the service sector have been booming too, though real output growth in the public sector (central and local government, education and medicine) has not been so strong. Set against this background, we see that most of the commercial sectors of the hotel and catering industry have performed well. The key issue now is whether or not this growth is sustainable.

FIGURE 2

THE SERVICE SECTOR 1980–1987
REAL OUTPUT GROWTH



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SECTION 3

OUTPUT AND EMPLOYMENT IN THE HOTEL & CATERING INDUSTRY

Employment as reported by the Department of Employment has grown in all the commercial sectors of the hotel and catering industry between 1980 and 1987. This growth has been greatest in catering contractors, hotels and restaurants, though employment in pubs and clubs has also grown significantly (Figure 3).

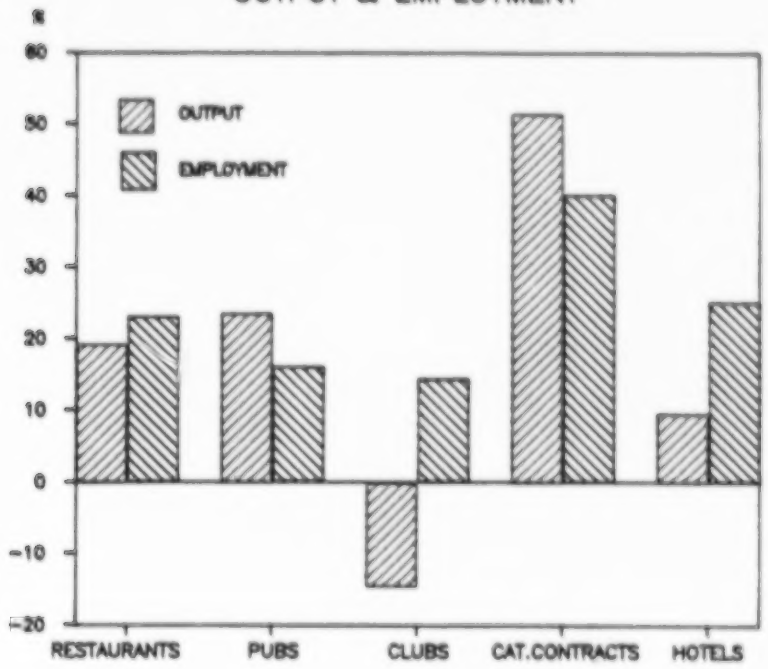
Output, or turnover, in real, inflation-adjusted terms, has tended to mirror employment, though with some notable exceptions.

Output in restaurants has increased 19% in real terms between 1980 and 1987, but within this overall growth, revenue from fast food and take away restaurants has grown very much faster than that from the more traditional, sit-down meals.

Output in pubs has increased faster than employment, which suggests that productivity in terms of output per employee has grown in this sector. Another explanation is that pub food is making an increasingly important contribution to pub revenues, and probably does not require a commensurate increase in employees.

FIGURE 3

HOTEL & CATERING 1980–87
OUTPUT & EMPLOYMENT



Notes: 1 All figures in real, inflation–adjusted terms where relevant

2 RESTAURANTS OUTPUT +19%
of which
FAST FOOD/TAKEAWAY +35%
SIT DOWN +12%

Productivity in the commercial contract catering sector also looks to have grown between 1980 and 1987. That in hotels, by contrast, has not. There are several possible explanations for the hotel figures. One explanation is that the increasing quality of service offered by hotels has involved an increase in the number of employees in order to increase the service element. Another possible reason is more technical. In order to obtain inflation-adjusted output information, we have used the government's price

index for hotel meals and accommodation which is based primarily on published rate information. Since many hotel rooms are sold at what is in effect a price discount, this price index may overstate the rate of price inflation in hotels, and hence this may lead to an understating of the rate of growth in real output for this sector.

The figures for the clubs sector look odd, with employment going up and output going down. The most likely reason for this is that the "clubs" sector includes in it some very disparate activities, ranging from working mens clubs in the north through to discos and night clubs in urban and suburban areas. The former category in particular are likely to respond to economic recession in non-commercial ways. Hence, though their consumer base has been decimated by falling levels of manufacturing employment, working mens clubs are unlikely to have laid off a commensurate number of their own staff.

Turning now to look more closely at employment levels in the hotel and catering industry, Figure 4 shows that of the 1073 thousand people employed in Great Britain in the main commercial sector of the industry in 1987, over a quarter were employed in the slowest growing sector (pubs), just under a quarter in hotels, 22% in restaurants and 14% and 13% in clubs and contract catering respectively.

FIGURE 4

EMPLOYMENT IN CATERING
1987
(COMMERCIAL SECTORS)

GROWTH (1987/78) IN % PA	
REST	+4
PUBS	+2
CLUBS	+4
CONTRACT	+8
HOTELS	+3

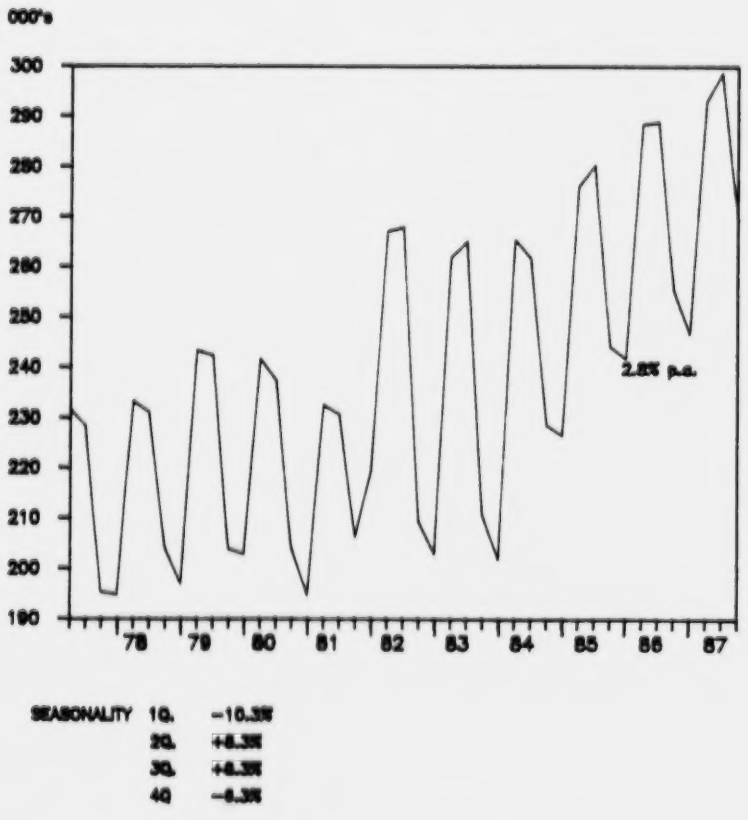
Figures 5-9 show in greater detail the quarterly movement in employment levels in each sector over the last 10 years.

Although employment in each of the sectors is seasonal to some degree, the seasonality in hotel employment is the most pronounced (Figure 5). The

amount of seasonality is, not surprisingly, greatest in the holiday camps part of these figures, but still very much a feature of the rest of the sector. It does look, however, as though the seasonality has become rather less important in recent years, resulting from the sector's successful marketing activities aimed at attracting business and private customers out of the spring to summer season with such activities as business conferences and week-end breaks. Behind the seasonality in hotel employment, moreover, Figure 5 shows the marked growth in employment experienced from 1984 to 1987.

FIGURE 5

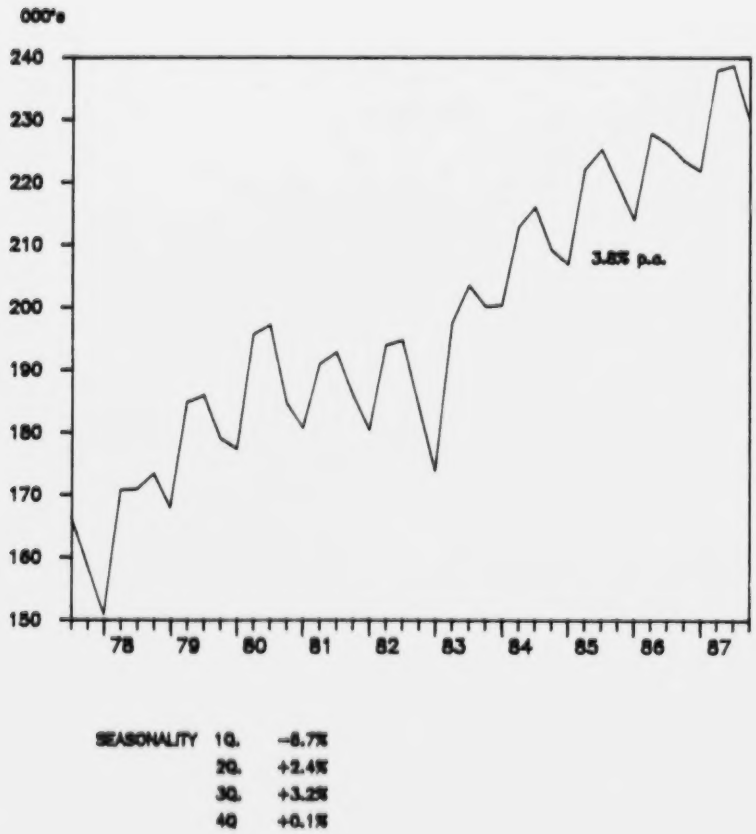
HOTEL EMPLOYMENT
1977–1987



Employment in restaurants has, in contrast, grown fairly steadily over the last 10 years, though there was a period from 1980 to 1982 when employment remained flat (Figure 6).

FIGURE 6

RESTAURANT EMPLOYMENT
1977–1987

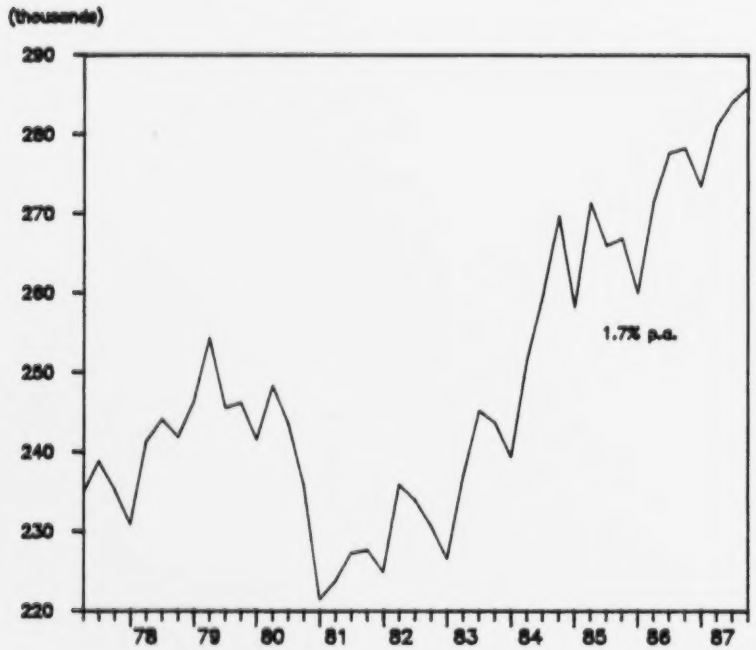


SEASONALITY		
	1Q.	-8.7%
	2Q.	+2.4%
	3Q.	+3.2%
	4Q	+0.1%

Pubs employment, which as we have already seen has grown the slowest of all the sectors, was badly affected by the recession in 1980/81 (Figure 7). Employment did not recover to the pre-recession levels until 1984-5.

FIGURE 7

PUB EMPLOYMENT
1977–1987

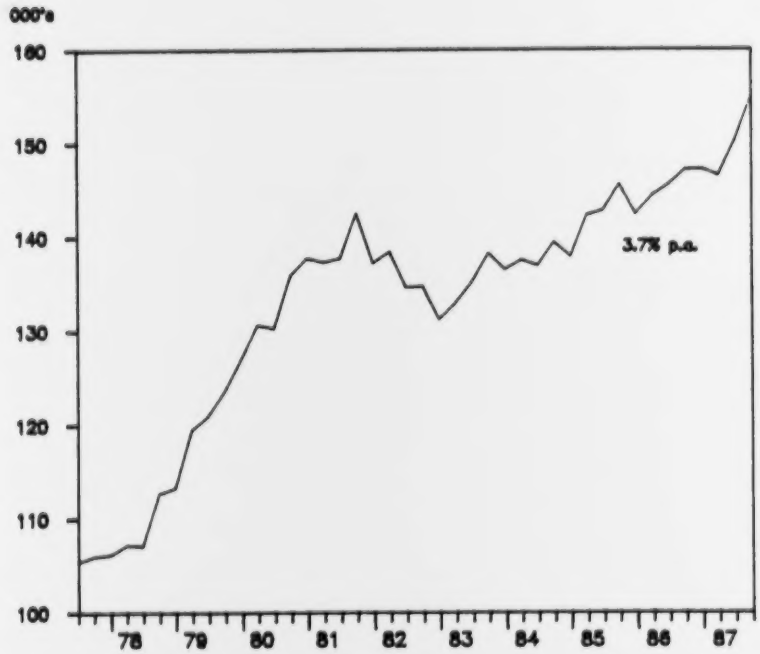


SEASONALITY	1Q.	−3.0%
	2Q.	+0.7%
	3Q.	+1.2%
	4Q	+1.1%

Employment in clubs as noted earlier includes employment in a wide variety of outlets. Taken as a whole, however, employment in this sector experienced its fastest growth in the earlier years, 1977-1981 (Figure 8). It then fell for a couple of years, before resuming fairly steady growth through to 1987.

FIGURE 8

EMPLOYMENT IN CLUBS
1977–1987

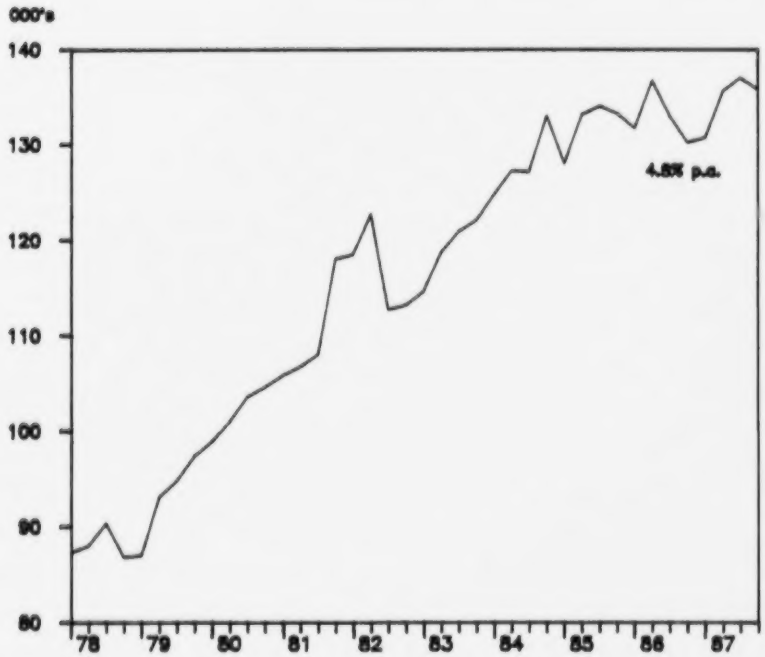


SEASONALITY		
	1Q.	−1.8%
	2Q.	−0.4%
	3Q.	−0.1%
	4Q	+2.4%

Contract catering employment, whilst a relatively small proportion of total industry employment, has grown faster than any of the other sectors (at an average annual rate of nearly 5% between 1978 and 1987). However, as Figure 9 shows, employment levels look to have stabilised over the last three years.

FIGURE 9

EMPLOYMENT IN CONTRACT CATERING
1978–1987



SEASONALITY		
	1Q.	-2.3%
	2Q.	+0.6%
	3Q.	+0.4%
	4Q	+1.3%

These, then, have been the trends in employment in the hotel and catering industry. We turn now to look at the reasons behind the trends.

* * * * *

SECTION 4

KEY INFLUENCING FACTORS

Assessment of the main reasons behind the trends in employment outlined in the previous section, is carried out by identifying all the possible factors which might have an impact.

These possible influencing factors are set out in the influence diagram shown in Figure 10. They include all the market parameters which affect demand for the services of the hotel and catering industry (for example, consumer and business spending, numbers of foreign visitors, prices charged for meals and rooms, advertising and marketing). They also include such factors as investment by the industry, weather, holiday patterns and so-called "supply-side" factors (for example, wage levels, skill shortages, training and the impact of technology).

FIGURE 10

EMPLOYMENT IN HOTEL & CATERING INDUSTRY: INFLUENCE DIAGRAM

Statistical information which measures what has been happening to all these factors over the same time period as the employment figures is then collected. Statistical techniques are used to work out which variables, out of all the possible influencing factors, are indeed key to determining what happens to employment levels in this industry.

These key influencing factors combine together to form a "model" or a mathematical description, of why employment in each sector moves as it does.

The modelling process as applied to all the factors set out in Figure 10 identifies the following parameters as being key for employment in the hotel and catering industry:

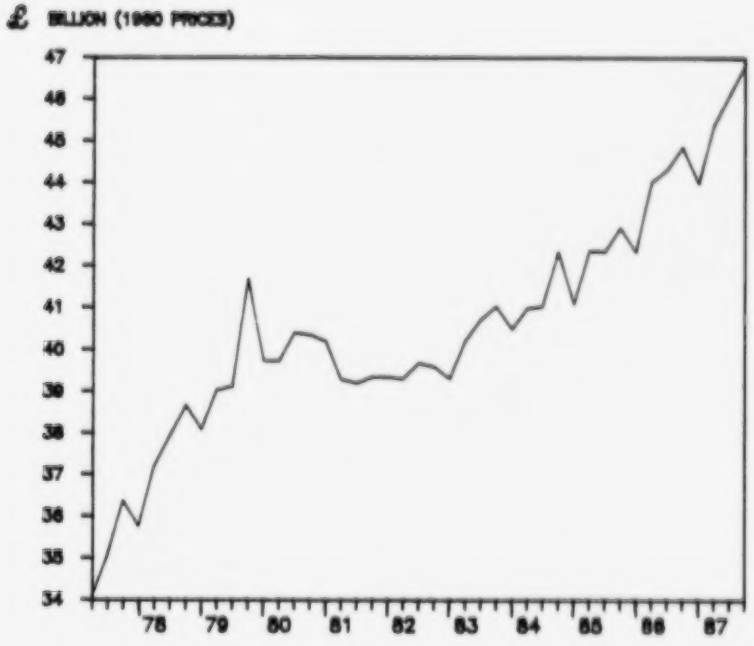
- incomes
- exchange rates
- industry marketing factors (prices, advertising, product development, branding of outlets etc)
- specific events (such as the Libyan air raids)
- seasonality (weather, holiday patterns etc)

4.1 Incomes

Disposable incomes, in real, inflation-adjusted terms, have been the main engine of growth for employment in the industry. As Figure 11 shows, real disposable incomes have grown strongly between 1977 and 1987 as a whole, with a slight downturn from 1980 to 1982 as a result of the economic recession. Since 1982, however, real incomes have grown fast. And it is this pattern of income growth which lies behind the employment figures for every sector in the industry.

FIGURE 11

PERSONAL DISPOSABLE INCOME
1977–1987



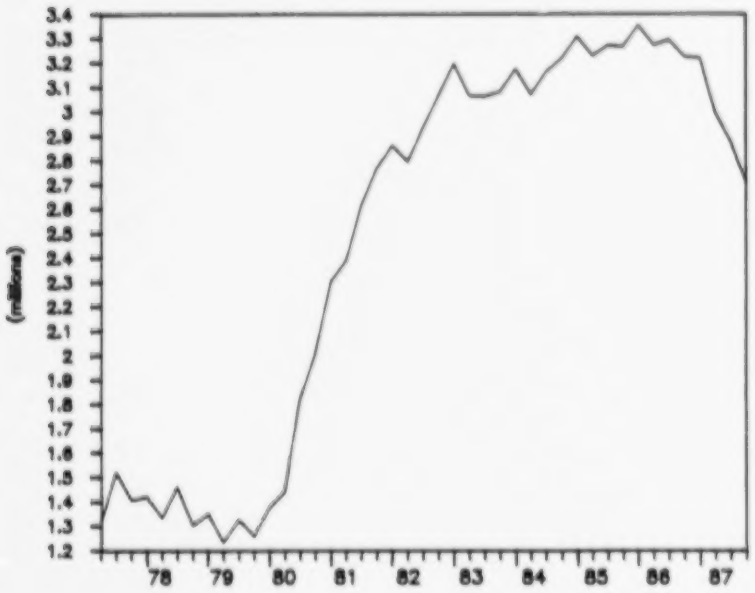
Unemployment has been affected by some of the same economic factors that lie behind the movement in income figures. As well as being affected by the normal economic business cycle which tends to operate every four or five years, unemployment has also arisen from the profound structural changes which have occurred in the UK economy over the last 10 years. In particular, the dramatic downturn in the fortunes of manufacturing industry and the subsequent growth in labour-saving productivity, have led to an

equally dramatic "shake-out" in manufacturing employment. The resultant rise in unemployment (Figure 12) has a significant impact on those parts of the hotel and catering industry which have a large number of manufacturing employees in their customer base: namely, the pub, and industrial catering sectors.

FIGURE 12

UK UNEMPLOYMENT

1977–1987



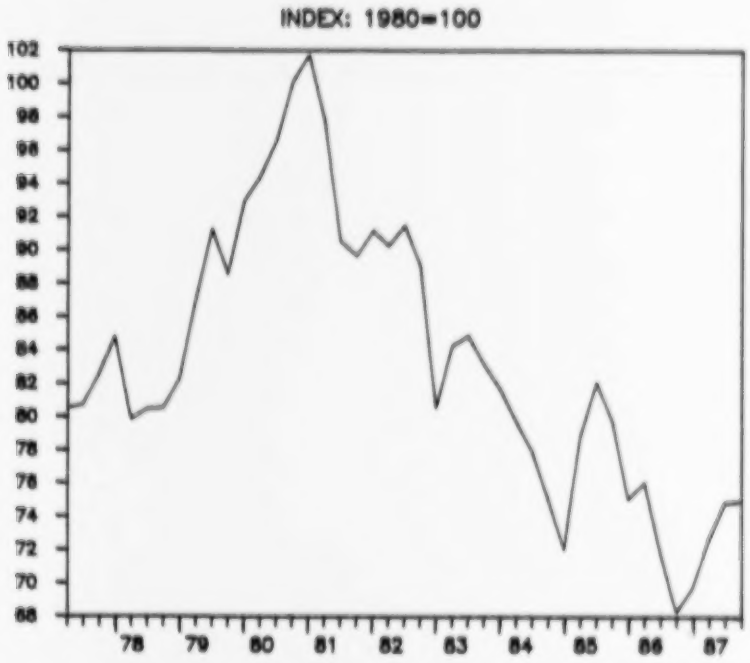
4.2 Exchange rate

Superimposed upon the underlying growth stemming from incomes comes a volatility caused by movements in sterling's exchange rate (Figure 13). The pound strengthened markedly between 1977 and 1980, since when it

has been falling, though with occasional strong rallies as in 1985 and again in 1987.

FIGURE 13

STERLING'S EFFECTIVE EXCHANGE RATE
1977–1987



The modelling process identifies sterling's effective exchange rate against a trade-weighted basket of currencies as being of slightly greater significance than the pound : dollar exchange rate on its own. This is because whilst Amercian tourists and tourists from other dollar-related countries of origin do indeed make up a significant proportion of foreign visitors to Britain (approximately 40% in 1984), visitors from other parts of the world, and particularly from Europe, are also very important.

As the exchange rate falls, so employment in the hotel and catering industry will rise. This is because more foreign visitors are attracted to Britain when the pound is weak, and also more British tourists are likely to stay here for their holidays since it becomes more expensive to go abroad. Moreover, a weak pound is good for British exports, and hence industrial activity of all sorts is likely to be more buoyant.

The results from the modelling process are supported by the government figures set out in Figure 14. These figures show that the greatest source of revenue, by far, for the hotel and catering industry comes from private individuals and families. Business expenditure is also important, providing 12% of all revenues, whilst overseas tourists, perhaps surprisingly, account for only 7% of the industry's turnover.

FIGURE 14

HOTEL & CATERING REVENUES X CUSTOMER TYPE

CUSTOMER TYPE	SHARE OF REVENUE %
HOUSEHOLDS	81
FIRMS	12
O/S TOURISTS	7
	100%

SOURCE: CSO COMMODITY FLOW ACCOUNTS 1984

It is for these reasons that the underlying fortunes of the hotel and catering industry are determined primarily by what is happening to income and expenditure patterns in the domestic economy, and the stage of the economic business cycle, and only secondarily, but in a volatile manner, by the exchange rate.

4.3 Marketing factors

Superimposed upon the basic, underlying economic influencing factors, marketing activity by the different sectors of the industry also affect the pattern of employment in each sector. These factors show up in a number of different ways in the statistical analysis.

For example, in the restaurant sector, employment has been greatly affected by the steep rise in consumer spending on meals outside the home (Figure 15). This, in turn, has been influenced by a combination of product and brand development, with supporting advertising and pricing strategies, aimed at specific economic and demographic segments. As well as having led to rising spend on meals, these activities have allowed the industry to raise prices overall (Figure 16), and hence presumably profitability and further strategic investments. Thus, for example, we are beginning to see the fast-food chains capitalise on their early success, and develop more up-market food concepts which approach traditional notions of sit-down meals with additional features of service, but in a highly branded fashion.

FIGURE 13

CONSUMER SPENDING ON
EATING OUT
1977-1987

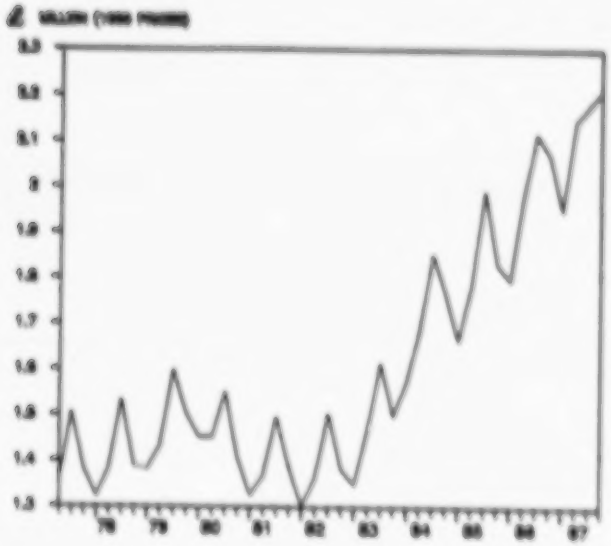
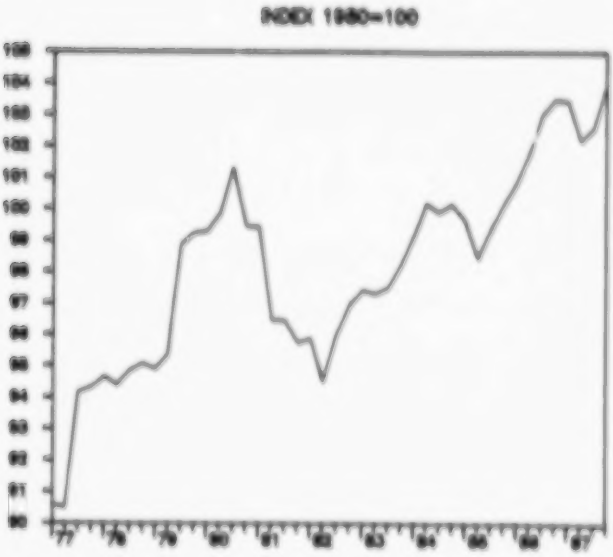


FIGURE 14

RELATIVE PRICE OF EATING OUT
1977-1987



4.4 "Supply-side"factors

In many industries, factors which affect the supply of labour can have as much, if not more, of an effect on employment as the factors which affect the demand for labour. Such factors include wage levels, numbers in employment and unemployment, training, skill shortages and the impact of technology and capital investment.

The statistical analysis carried out in this project indicates that, so far, the hotel and catering industry overall has been able to obtain as much labour as it needs to meet the increased levels of demand, without major supply-side constraints. The only area in which it looks as though the numbers of unemployed and the increasing numbers of women in the employed labour force might be having a slight effect on ease of recruitment is in the hotel sector. This does not appear to be the case overall in the other commercial sectors.

However, discussion with some of the major recruiters in the industry confirm that specific occupations in specific parts of the country are already in short supply, for example, assistant managers for multiple restaurant outlets and some craft jobs within hotels.

These shortages are already reflected in the wage rates and levels of recruitment advertising for some jobs, and are likely to have increasingly important implications for employment policies, ranging from initial recruitment through to training and development.

* * * * *

SECTION 5

EMPLOYMENT MODELS

The key influencing factors on employment in each sector of the hotel and catering industry combine together to form predictive "models", or descriptions, of employment in the industry.

When we compare the models with what has actually happened to employment, we see that the models track employment levels very well indeed (see Figures 17 to 20). Not only do the graphs show that this is indeed the case, but also all the other statistical tests we carry out confirm both the accuracy and the "robustness" of these models.

This means that we can use the models with confidence, firstly, to quantify the impact that each key influencing factor has had in the past and, secondly, to forecast what is likely to happen in the future.

FIGURE 17

HOTEL EMPLOYMENT
1977–1987

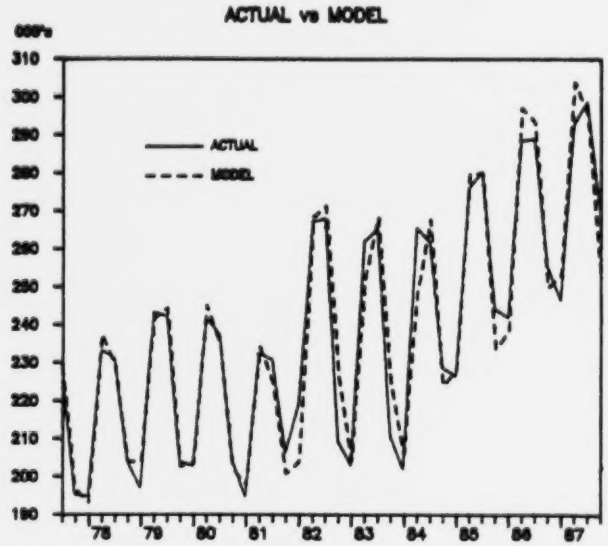


FIGURE 18

EMPLOYMENT IN RESTAURANTS
1977–1987

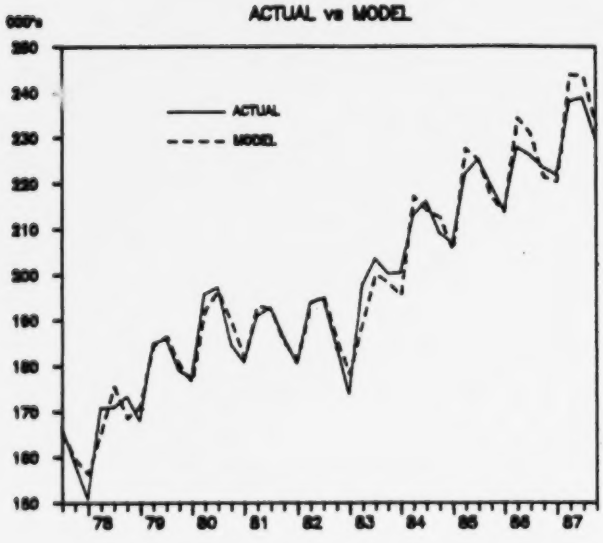


FIGURE 19

PUB EMPLOYMENT
1977–1987

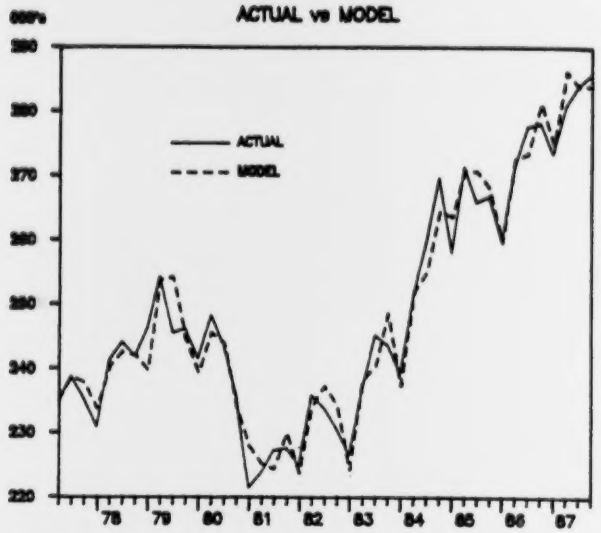
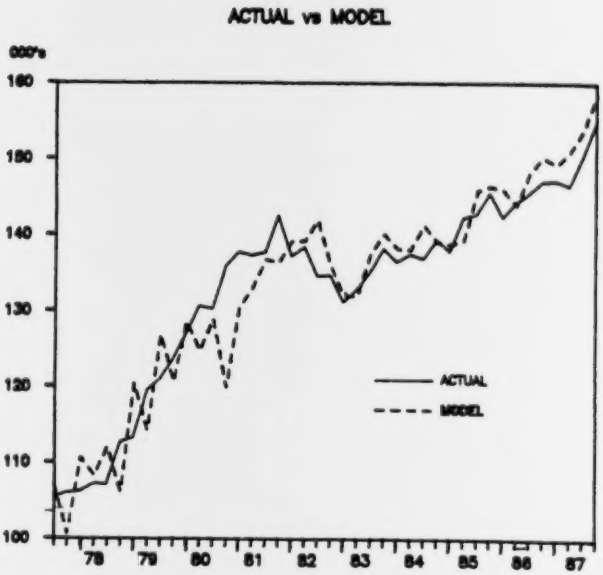


FIGURE 20

EMPLOYMENT IN CLUBS
1977–1987



QUANTIFICATION OF KEY FACTORS

When we use the models to assess more precisely the impact of the key factors over time, we find that these effects vary from one sector to another. Not only do the key factors have different effects in the short and the long-run, but also the size of the impact varies by sector.

Thus, for example, a 10% rise in sterling's effective exchange rate leads to a 4% fall in hotel employment, and also to a 3% fall in restaurant employment and a 2% fall in employment in pubs. Restaurants, on the other hand, are most affected by changes in real incomes, where a 10% increase in real income levels leads to a 15% increase in restaurant employment. By contrast, a similar change in income levels leads to an 8% increase in hotel employment, and a 3% increase in pubs employment.

Another way of looking at the differential impacts of the main influencing factors on employment in the hotel and catering industry is to take the change in employment levels between two different points in time, and use the models to explain the contribution that the movement in each key factor has made to that change in employment.

Thus, if we take the 73,000 increase in employment in restaurants, for example (see Figure 21), between 1977 and 1987, the restaurant model tells us that rising real incomes have accounted for 73,000 of the increase and the falling exchange rate a further 4,000 jobs. The rising price of meals, on the other hand, relative to all the other goods and services that consumers can spend their money on, has taken away 5,000 jobs.

We believe that the size of the income effect here reflects the dynamism of companies operating in this sector in terms of marketing and other expansionary activities.

FIGURE 21

Contribution of Key Influencing Factors to Change in Restaurant Employment Between 1977 and 1987

KEY FACTOR	CHANGE IN EMPLOYMENT 2Q77 – 2Q87 (Thousands)
INCOMES	+73*
EXCHANGE RATE	+4
PRICE OF MEALS	−5
OTHER	+1
	+73

* SIZE OF EFFECT REFLECTS DYNAMISM OF SECTOR IN MARKETING & OTHER STRATEGIES

In the hotel sector, on the other hand, we find that the rising exchange rate had had a greater effect over the same period, leading to an increase in hotels employment of 11,000, and incomes a rather smaller effect (Figure 22).

FIGURE 22

Contribution of Key Influencing Factors to Change in Hotel Employment Between 1977 and 1987

KEY FACTOR	CHANGE IN EMPLOYMENT 2Q77 – 2Q87 (Thousands)
INCOMES	+49
EXCHANGE RATE	+11
PRICE	−6
OTHER	+7
	+61

* * * * *

SECTION 7

EMPLOYMENT FORECASTS

As well as using the models to quantify the impact of the key influencing factors on employment in the past, they can also be used to forecast what is going to happen in the future.

In order to do this, we have to make assumptions about what is likely to happen to each of the key factors in the future. Of course, nobody can predict the future with absolute certainty. However, what can be done is to suggest what is the most likely course of events, and then to test the sensitivity of the resultant employment forecasts to different forecasting assumptions about the key influencing factors. In this way, the models can be used to assess the best and the worst that may happen.

7.1 Forecasting assumptions

For the base-line forecasts, we have assumed a pattern of broadly-based economic growth throughout the economy over the next five years. Although this growth is not as high as in recent years, it remains nevertheless growth rather than decline.

Prospects for incomes look strong: earnings growth is above the rate of inflation, employment is rising and taxes continue to be cut. Earlier this year, the exchange rate rose against both the DM and the dollar, but a combination of lower UK interest rates, intervention and higher US rates succeeded in reversing some of these gains. In the meantime, UK interest rates have risen again (and are likely to rise further in the short-term). However, in the longer-term, the pound is expected to remain under downward

pressure in view of the likelihood of several years of current account deficits. Hence, the exchange rate after appreciating in 1988 as a whole, is likely to fall again in 1989, and thereafter to depreciate slowly.

On the corporate side, prospects for industrial production and exports look good, though again growth is likely to be slower than of late. The slowdown in sales and output, together with rising labour costs, is likely to exert a downwards pressure on profits through to the end of 1989, but from then on, the stronger economy again results in a growth in real profits.

Unemployment has been falling for nearly two years, and this is likely to continue, although at a slower rate. As output slows in 1989, the falls in unemployment may also slow down, though again in the longer term it is likely to resume its steady fall.

Thus, the most-likely economic scenario is one in which the current "overheating" of the economy is resolved without too much trauma, and growth is spread quite evenly across all sectors of the economy.

Faced with this generally buoyant economic background, we expect a continuation, if not an acceleration, in the marketing activity of the major companies in the hotel and catering industry. All the big restaurant groups are likely to react to the strong level of demand in the marketplace with an increasing sophistication of market segmentation and strategies, and active investment programmes. Such trends are reinforced by the marked changes that are occurring both in the demographic profile of the

population and the rate and type of household formation. We shall refer to these changes again later in the report.

The same degree of marketing activity applies also to the major hotel companies, where investment and marketing ingenuity directed towards the private and business consumer will continue, both up and down-market. As well as extensive refurbishment programmes, significant new building is occurring, ranging from the one-star, "travel lodge" concept through to comfortable country house hotels. In the pubs business, the large brewing companies look set to continue their diversification/conversion strategies, reacting both to the decline in traditional drinking habits, and the new types of consumer demand emanating from the marketplace. In this context, we have assumed that changes in the licensing laws will merely exaggerate these already emerging trends, rather than create a significant rise in demand in their own right.

The area in which there is most doubt as to what will happen next concerns contract caterers. There are some who believe that the contract catering market still presents considerable opportunities for growth, with organisations in both the public and the private sectors continuing to convert from in-house to outside contractors. Others, however, believe that the market has plateaued, with growth in the UK now being tied to general corporate profitability and to taking market share from other people. We have tended towards the latter view, but this is certainly a sector in which there is a degree of uncertainty about the future growth prospects.

Finally, on productivity, we have assumed that the trends in productivity outlined above in Section 3 will continue apace, with the application of new technologies and practices (e.g. cook-chill techniques) spreading steadily rather than all at once.

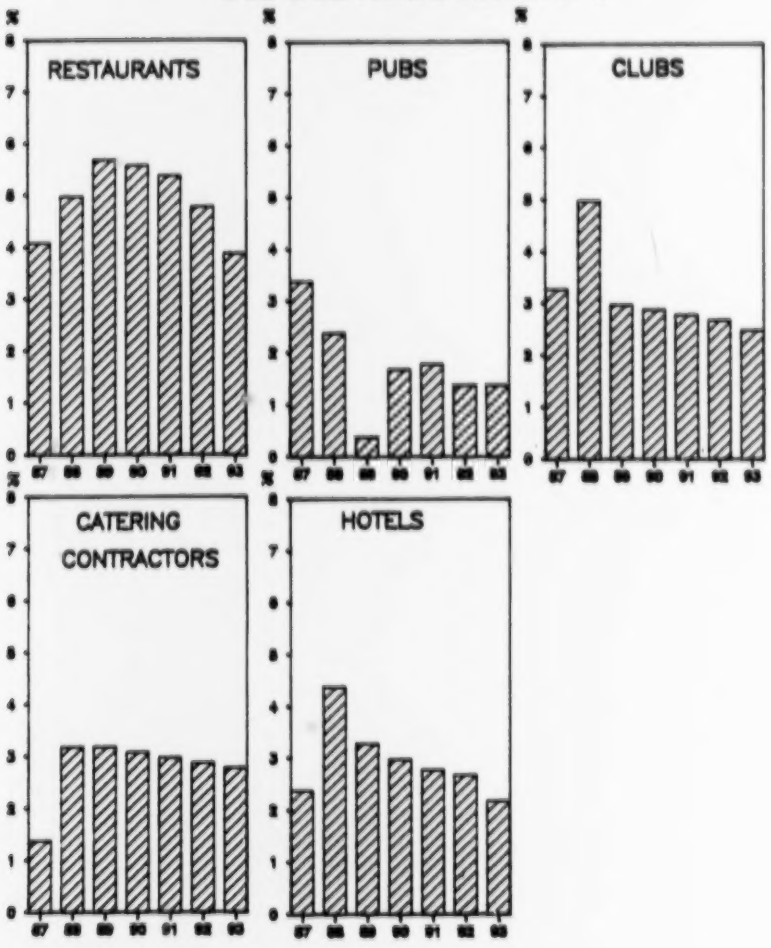
7.2 Employment forecasts

These forecasting assumptions result in the employment forecasts for each sector that are set out in Figures 23 and 24.

FIGURE 23

HOTEL & CATERING EMPLOYMENT FORECASTS
1987–1993

BASE CASE: ANNUAL GROWTH IN %



These figures show that the restaurant business is likely to be the most dynamic sector of all in employment terms, with employment reacting strongly to the positive forecasts for real income growth. Hotels employment will also grow strongly, though the slightly slower growth rates relative to restaurants reflect a certain degree of saturation in this sector, as well as the lower responsiveness to income growth - a night in a hotel continues to be regarded as a more discretionary purchase than a meal in a restaurant.

FIGURE 24

SUMMARY OF BASE FORECASTS

SECTOR	EMPLOYMENT % GROWTH 1993/87	EMPLOYMENT (in thousands)		
		1987	1993	1993/87 (Difference)
RESTAURANTS	+34	232	311	+79
PUBS	+13	281	318	+37
CLUBS	+19	150	179	+29
CONTRACTORS	+18	135	159	+24
HOTELS	+21	275	333	+58

The significantly lower growth rates for employment in pubs are due to the fact that pubs remain predominantly drinks-orientated, and hence vulnerable to trends away from traditional drinking activities and outlets. Although the popularity of bar food will continue, the supply of this food remains more capital than labour intensive.

On the catering contractor side, the forecasting models suggest that growth will continue, albeit at a lower rate than in recent years. This forecast is confirmed by some sections of industry opinion, but not by others. As we have said above, some industry commentators believe that significant contracting out of in-house catering may yet continue.

All in all, these base-line forecasts suggest an increase in employment in the commercial sectors of the hotel and catering industry in Great Britain of nearly 230,000 people by 1993, an increase of 21% over 1987.

7.3 Risks to forecasts

The main risks to the forecasts stem from the prospects for the economy over the next five years. As we write this report, there are two main areas of concern.

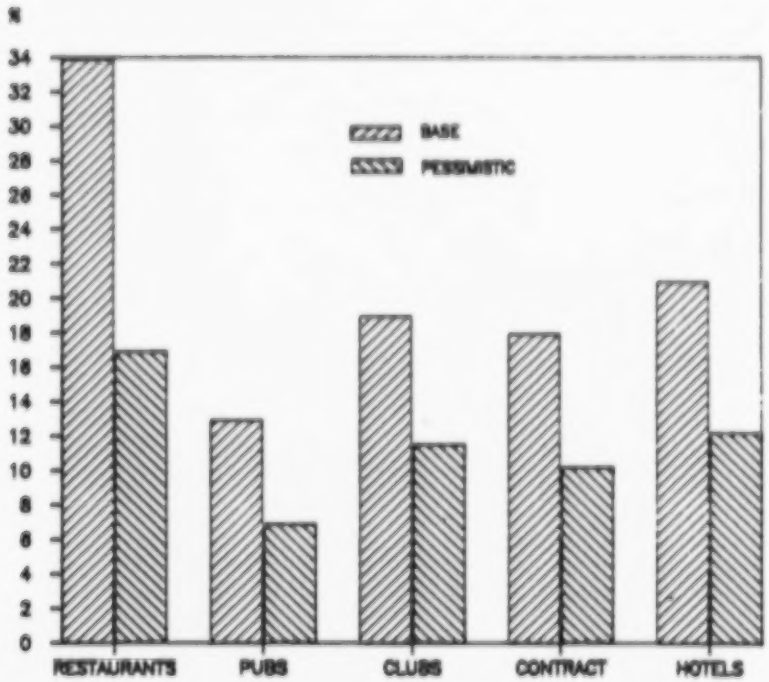
Firstly, there are the severe economic problems facing the United States of balance of payments and government budget deficits. It is hard to believe that this situation can continue indefinitely, and at some point in the new American presidency corrective action will be necessary. The extent of the subsequent slowdown in the American economy, with knock-on effects to the rest of the world, depends on how soon action is taken. If it is left until late 1989, then a quite severe world recession is not unthinkable.

The second source of worry about the UK economy concerns the current pace of growth, which is so high as to be incompatible with low rates of inflation. The government is hence faced with a choice of slowing the economy down (and it has so far used only interest rates to try to achieve this) or going to the next election with much higher rates of inflation. It is possible that the government's squeeze on the economy via interest rates will in itself cause a severe downturn 1989/90.

Our base-line forecasts assume that both these problem areas are resolved without too much trauma. However, the pessimistic forecasts set out in Figure 25 are derived from using the models to simulate the impact on hotel and catering employment levels of an economic downturn in 1989/90.

FIGURE 25

HOTEL & CATERING EMPLOYMENT FORECASTS
1987–1993
BASE vs PESSIMISTIC (% GROWTH)



The pessimistic forecasts in Figure 25 nevertheless still show quite significant growth in all sectors between 1987 and 1993. These overall forecasts do in fact include one or two years of negative growth in some sectors, but the important point for the industry is that, even under pessimistic forecasting assumptions, the industry still faces the prospect of an increase in employment numbers between now and 1993.

Much recruitment into the industry is currently derived from a relatively young age group in the population. The numbers of people entering this younger age group have hitherto supported this pattern of recruitment (see Figure 26). Now, however, the numbers of younger people are going to decline (see Figure 27). When these figures are combined with the increased numbers who need to be drawn into the industry to meet the projected levels of demand, it is easy to understand the current concern of some employers in the industry. These employers are actively working to develop alternative recruitment, training and employee relations policies in order to meet this new challenge on manpower.

FIGURE 36

AGE STRUCTURE OF POPULATION
% CHANGE
1981-86

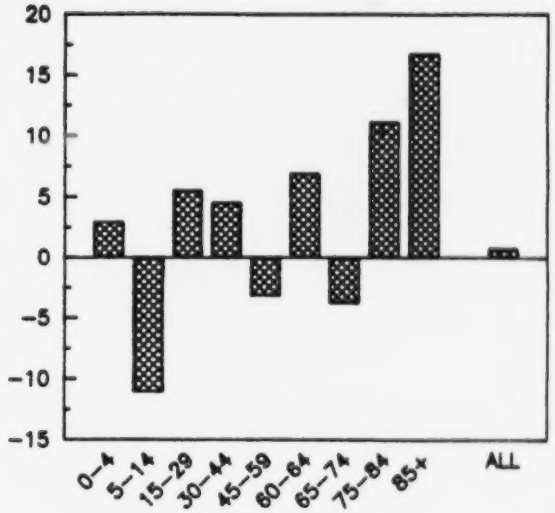
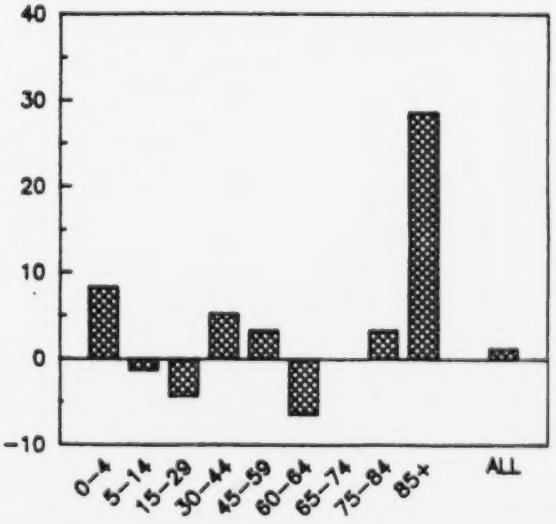


FIGURE 37

AGE STRUCTURE OF POPULATION
% CHANGE
1986-91



SECTION 8

JOB CATEGORIES IN THE HOTEL & CATERING INDUSTRY

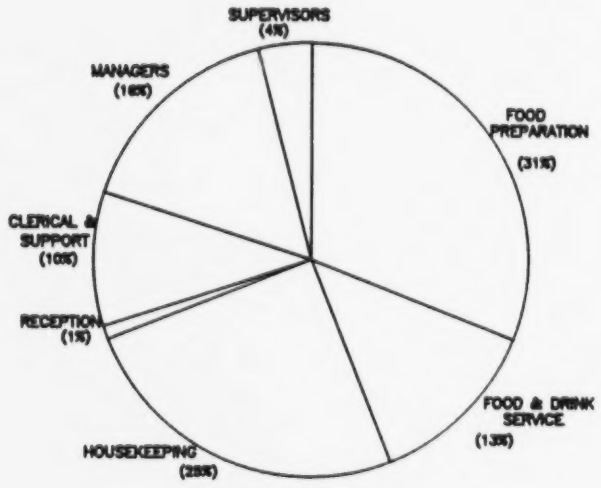
8.1 Current situation

The proportions currently employed in each of the main occupational groupings are set out in Figure 28. These estimates, unlike all the other figures presented so far in this report, include hotel and catering personnel in the non-profit-making sectors of the economy (mostly institutional and industrial in-house catering).

Figure 28 shows that, in the whole of the industry, the greatest number of people are involved in food preparation and housekeeping activities, followed by significant numbers in management, food and drink service, and other support positions. (The proportions would of course be different if we were looking purely at the commercial sector.)

FIGURE 28

JOB CATEGORIES IN HOTEL & CATERING



[1] INCLUDES INSTITUTIONAL CATERING

SOURCE: HCTB 1988

8.2 Forecasts of job categories

From the detailed data available* on which sector of the industry employs which category of personnel, we have a great deal of knowledge on how the different job categories are distributed within the industry by sector (hotels are likely to employ more housekeeping staff than restaurants, for example).

Since, as we have seen in previous sections, there are different employment forecasts for each sector, this in itself feeds through into the forecasts for each job category. Thus, for example, the forecasts for waiters and kitchen staff employed in restaurants are likely to be more buoyant than for bar staff employed in pubs. Employment in institutional catering will also do relatively badly.

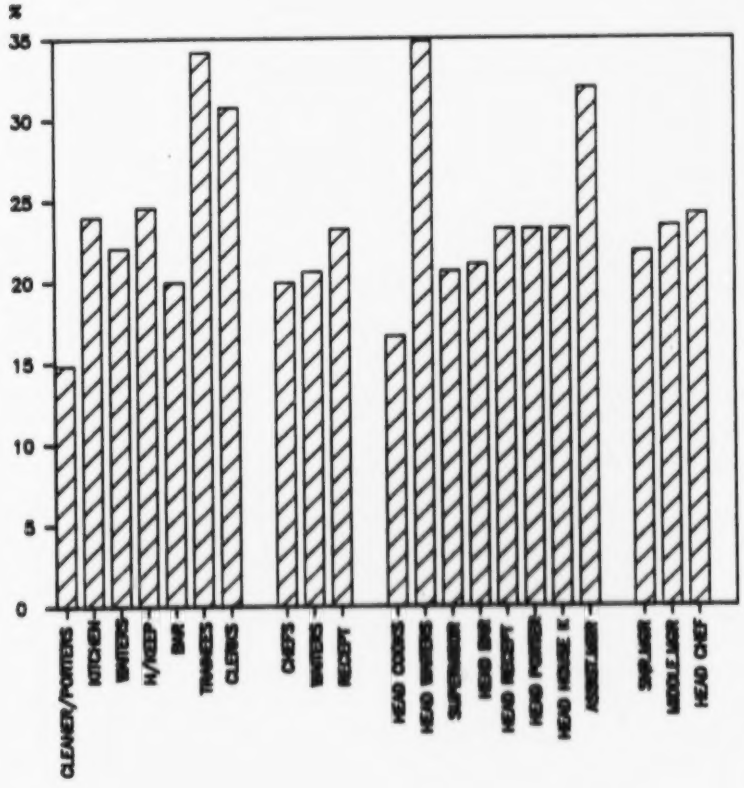
All those trends are reinforced by the structural changes going on in the industry. With, for example, the proliferation of branded multiple catering outlets in the restaurant business, there is rapidly growing demand for assistant management jobs. Then, with the rapid development of the big hotel groups with sophisticated operational methods, there is likely to be a high demand for clerical and "front office" personnel. There are already significant skill shortages within the hotel sector, particularly of management and craft trainees, and much competition for recruitment from other sectors, both within and without the hotel and catering industry. Moreover, the amount of deskilling in hotel kitchens which has already occurred is now felt to have gone far enough, and there is an increasing re-emphasis on chefs' skills and on training.

* Source: Hotel & Catering Training Board

The result of these different tendencies in terms of their impact on the forecasts for the different occupational categories are spelt out in Figure 29. These forecasts highlight those jobs which are likely to do relatively well (e.g. kitchen staff, trainees, clerks, head waiters, assistant managers) and those who are likely to do relatively badly (e.g. cleaners, porters, bar staff and head cooks).

FIGURE 29

FORECASTS OF OCCUPATIONS
1987–1993



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SECTION 9

FULL AND PART-TIME EMPLOYMENT

The division in employment between male and female, and full and part-time, in the commercial sectors of the hotel and catering industry is given in Figure 30.

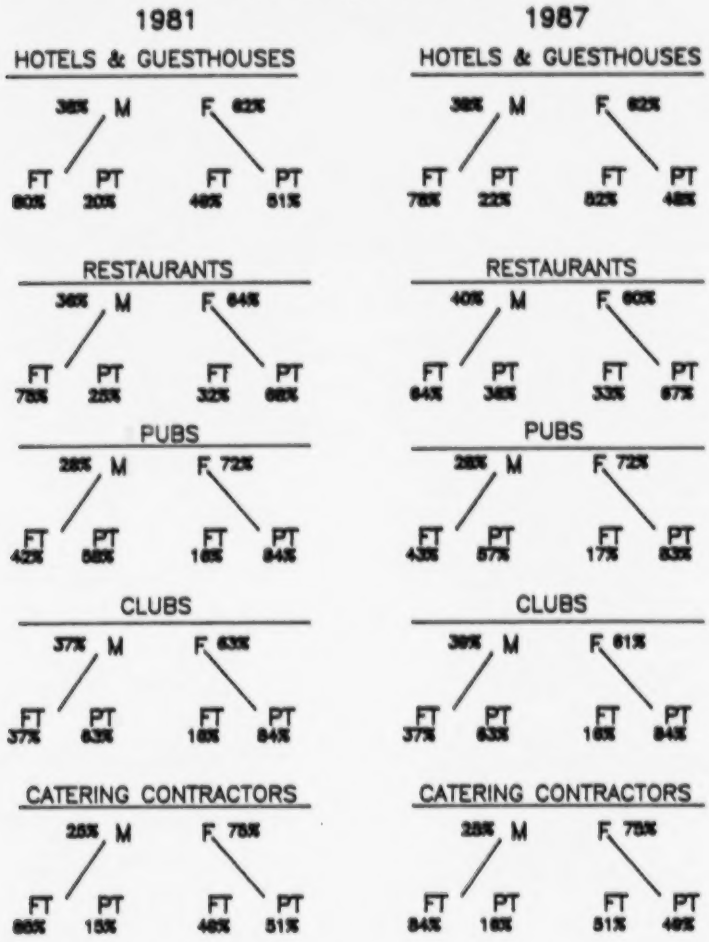
These figures, which are based on the government's Labour Force Survey, confirm the preponderance of female employment in the industry, and also the importance of part-time employment, particularly in the restaurant, pubs and clubs sectors. The main areas of male part-time employment are in pubs and clubs.

Perhaps the most surprising fact to emerge from these figures is that there has been very little change in the proportions between 1981 and 1987. Thus, the growth in part-time female employment which is much discussed, and indeed is known to have occurred in many service sectors of the economy, has not happened in the hotel and catering industry.

The only significant change that has occurred in the hotel and catering industry concerns the restaurant sector, where there has been a marked increase in the number of part-time males employed, and a decrease in the proportion of female employees.

FIGURE 30

BREAKDOWN OF EMPLOYMENT BY MALE/FEMALE FULL-TIME/PART-TIME



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SECTION 10

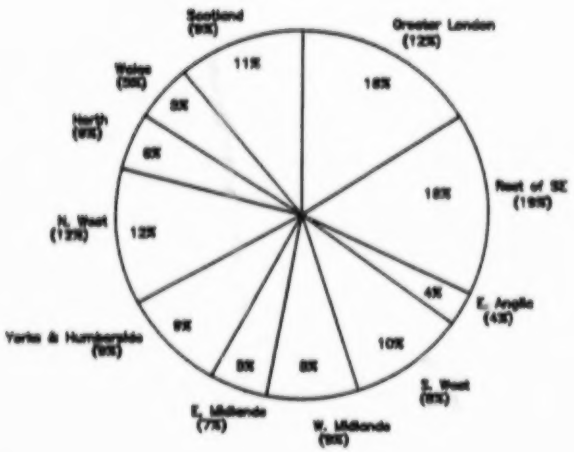
REGIONAL EMPLOYMENT

10.1 Employment trends

The proportion of staff employed in the commercial sectors of the hotel and catering industry by region of Great Britain, as reported by the Department of Employment is shown in Figure 31. These figures show the preponderance in employment of London and the South East, and also the importance of the North West and Scotland. The percentages given in Figure 31 for the distribution of the proportion in Great Britain confirm that employment in the hotel and catering industry roughly follows the proportion of the population living in each area.

FIGURE 31

Regional Employment Distribution
Total H&C Industry
1984



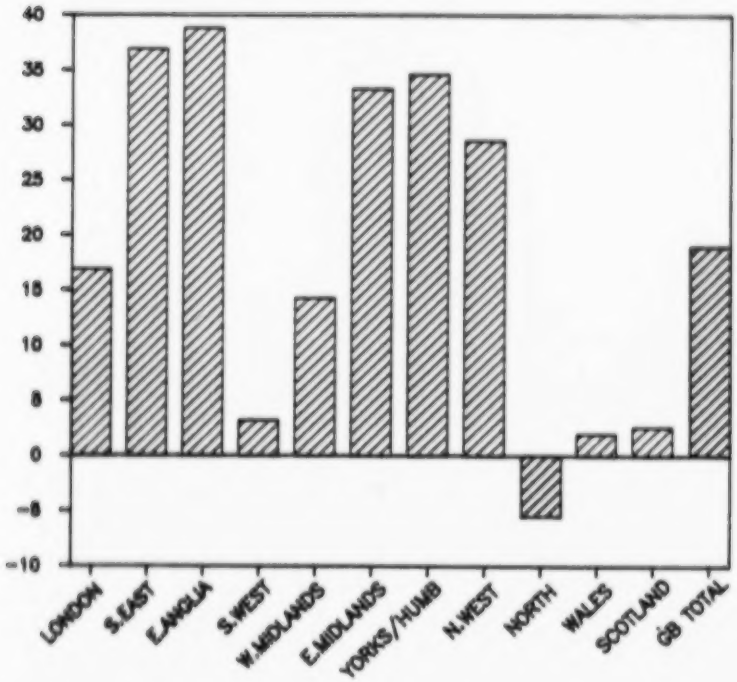
Population Figures in Brackets

Figure 32 sets out the growth in employment by region between 1978 and 1986. These figures show that growth in employment has been relatively low in two of the most important employment regions in terms of numbers employed: London and Scotland. Growth has been highest in the South East and in East Anglia, though it must be remembered that East Anglia starts from a very low base in terms of numbers in employment. Three other significant regions in which employment growth has been relatively slow are the South West, West Midlands and Wales.

FIGURE 32

REGIONAL EMPLOYMENT TRENDS IN HOTEL & CATERING

% CHANGE 1978–1986



Further details on the proportions employed in each sector by region are given in Figures 33 to 37. These figures provide a wealth of interesting detail showing, for example, the preponderance of the London area in restaurants and contract catering employment, and confirming the concentration of clubs employment in the north of the country.

FIGURE 33

REGIONAL EMPLOYMENT DISTRIBUTION
BY SECTOR
1984

HOTELS

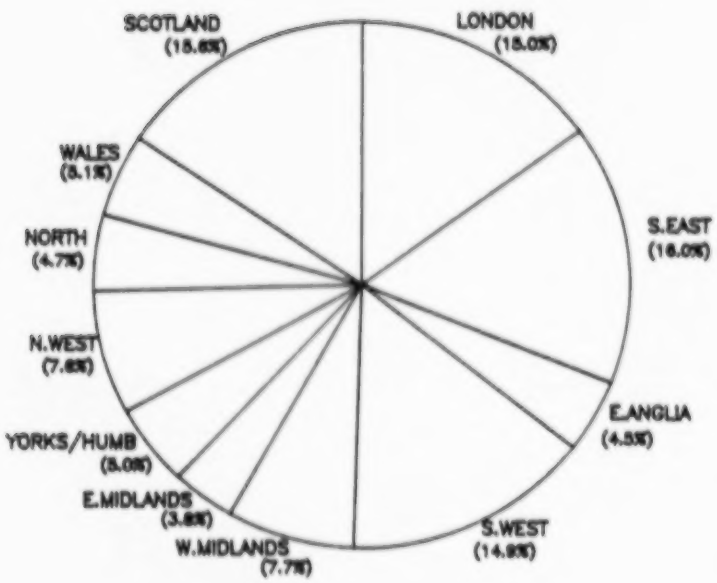


FIGURE 34

REGIONAL EMPLOYMENT DISTRIBUTION
BY SECTOR
1984

RESTAURANTS

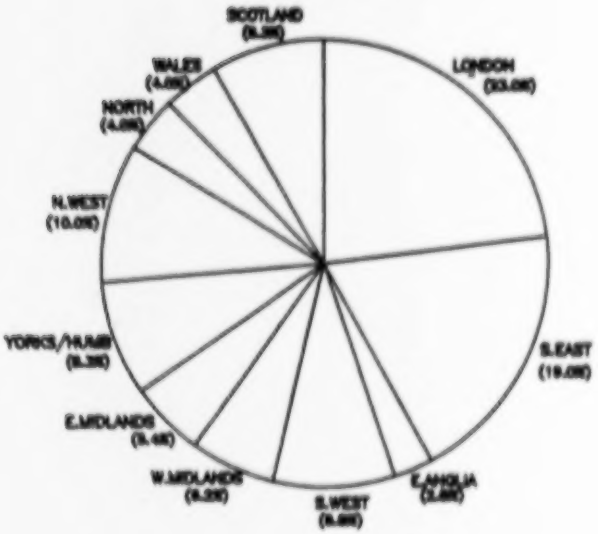


FIGURE 35

REGIONAL EMPLOYMENT DISTRIBUTION
BY SECTOR
1984

PUBS

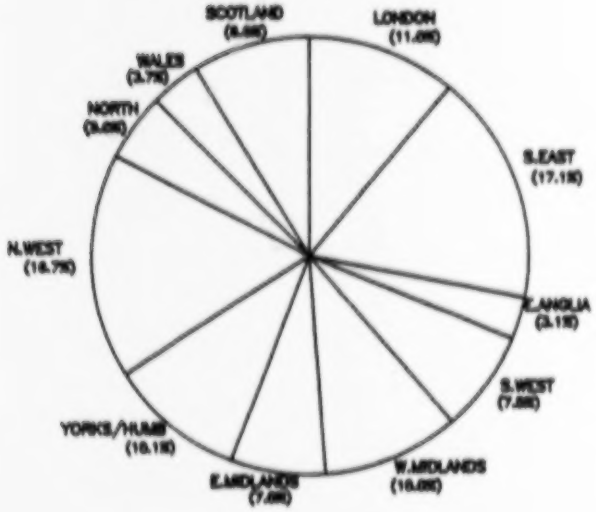


FIGURE 36

REGIONAL EMPLOYMENT DISTRIBUTION
BY SECTOR
1984

CLUBS

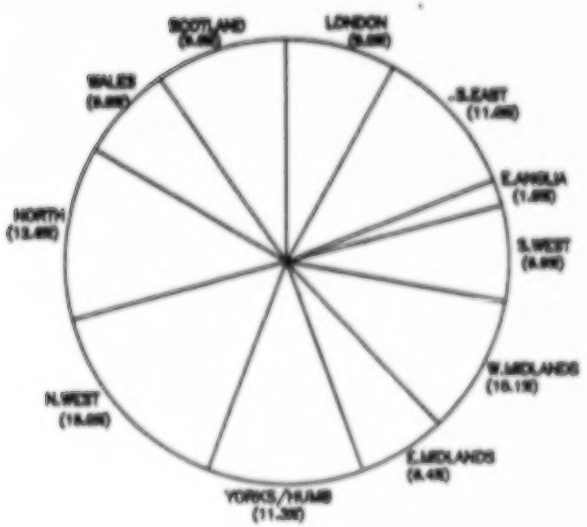
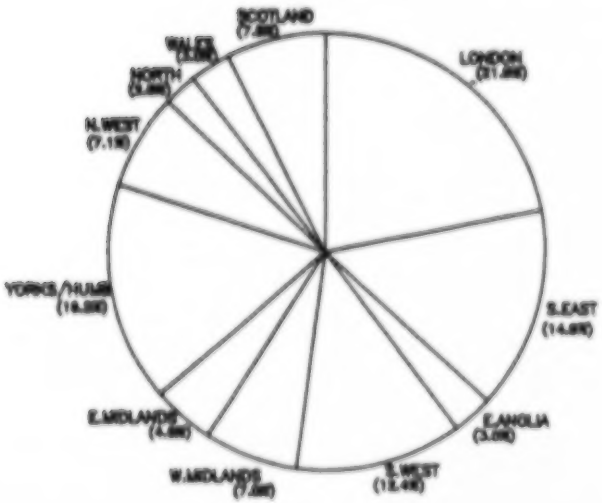


FIGURE 37

REGIONAL EMPLOYMENT DISTRIBUTION
BY SECTOR
1984

CONTRACT CATERING



10.2 Key factors

The reasons behind these employment trends and distributions are highly complex. The statistical analysis identifies a number of key factors which affect the trends in hotel and catering employment in each region, some of which are important in some areas, some in others.

Figure 38 shows the difference in each geographical region in the growth of real disposable incomes between 1978 and 1986, and Figure 39 shows the distribution by region in population, overall employment and incomes. All these basic underlying economic factors are indeed as important in explaining the size and movement of hotel and catering employment in each region as they are in the country as a whole.

FIGURE 38

REGIONAL REAL PERSONAL DISPOSABLE INCOME TRENDS

% CHANGE 1978–1986

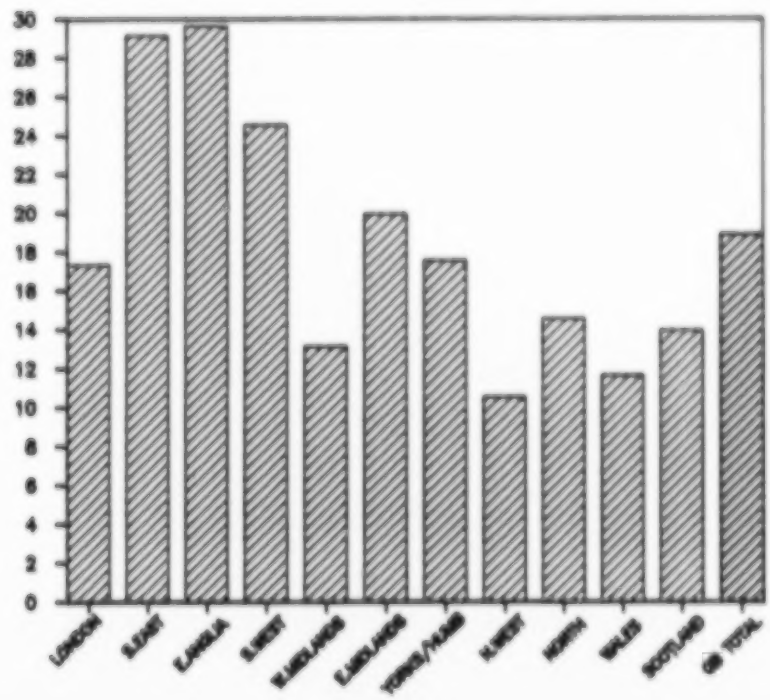
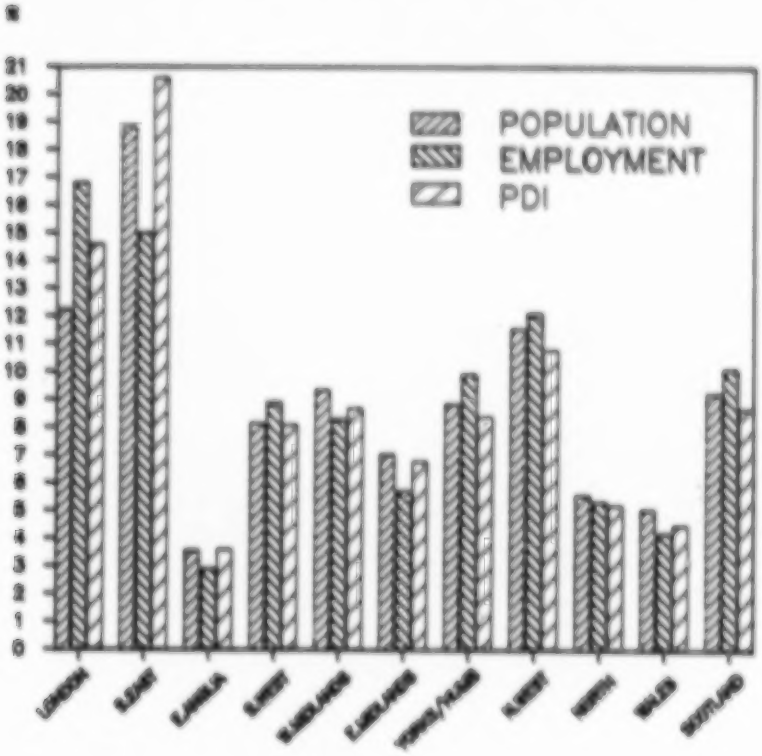


FIGURE 39

REGIONAL DISTRIBUTION OF POPULATION, EMPLOYMENT and PERSONAL DISPOSABLE INCOME 1986



However, superimposed upon the economic "fundamentals" in each area are the effects of a number of region-specific influencing factors. First amongst these are tourism patterns. Overseas and domestic tourists tend to follow well-established geographical patterns when on holiday in this country - to London, Stratford-on-Avon, Bath and Edinburgh, for example. This does, of course, boost tourist-related employment in these areas. But then, on top of these traditional patterns, some regions have been extremely active, both in this country and overseas, in promoting their own areas, or specific attractions within the area. York, Canterbury and Norwich are noticeable examples of proactive, successful marketing policies.

Then there is the question of capacity in each area, and the degree of maturity of the industry. Thus, although East Anglia is an area which is experiencing significant increases in the population of working age who are living there, jobs and incomes in general, it is also starting off from a relatively undeveloped hotel and catering infrastructure. For all these reasons, employment growth in hotel and catering can be expected to be especially high. In Scotland, Wales and the South West, by contrast, although they have had different experiences in terms of income growth, they all have a well-established, traditional hotel and catering infrastructure, so the hotel and catering employment growth can be expected to be relatively lower. Capacity constraints in London, particularly on the hotels side, are well-known, and have therefore imposed a significant drag-down factor on hotel and catering employment growth in this area.

Finally, special once-off factors have led to very specific movements of demand and employment in different areas, both positively (e.g. royal weddings and celebrations in London, garden festivals in Liverpool and Glasgow) and negatively (IRA bombing campaigns in London).

10.3 Forecasting assumptions

Looking to the future, the forecasts for hotel and catering employment by region again depend on the forecasting assumptions we make for each of the key influencing factors.

For the economy, in line with our base-line national economic forecasts, we have assumed that economic growth continues throughout the economy, with economic recovery continuing its push from London and the South East to the

rest of the country. This trend, already evident for a couple of years and quite clear when looking at the regional profile of house price movements, is likely to continue under most economic scenarios. The exception here is if there is a major economic recession which stops this process of generalised economic recovery in its tracks.

On the demographics side, we have taken the population projections of the Office of Population and Census, and other government projections concerning both the geographical distribution of the population of working age and trends in household formation (which show an increase in the numbers of earning, single-person households).

As far as capacity constraints are concerned, we have assumed that these will continue (for example, in London), unless there is the possibility of the contrary being the case (e.g. building country house hotels for business conferences and relatively well-off private individuals, the spread of "travel lodges" and faster food outlets along important motoring routes). And then, for marketing activity, we have assumed that this will continue on the historical pattern. This latter assumption means that the forecasts presented here are very much base-line which can be affected by significant amounts of marketing development by the providers of hotel and catering services in each area and/or by the local tourist organisations.

10.4 Regional employment forecasts

The regional forecasts for employment in the commercial sectors of the hotel and catering industry are set out in Figure 40.

The key features of these forecasts are that, whilst London and the South East will continue to predominate the numbers employed, much growth in employment will be outside London. Substantial growth in particular is expected in the North West, Yorkshire and Humberside, and East Anglia, and significantly lower growth in established areas.

FIGURE 40

REGIONAL EMPLOYMENT TREND FORECASTS
% CHANGE

	1978–87	1987–93
LONDON	20	8
SOUTH EAST	43	43
EAST ANGLIA	44	27
SOUTH WEST	6	11
WEST MIDLANDS	22	21
EAST MIDLANDS	34	23
YORKS/HUMBERSIDE	39	36
NORTH WEST	32	29
NORTH	–5	–6
WALES	4	11
SCOTLAND	4	11
GREAT BRITAIN	22	21

* * * * *

SECTION 11

SUMMARY AND CONCLUSIONS

All in all, the analysis presented here, together with the resultant forecasts, suggest that growth in employment in the hotel and catering industry over the next five years is likely to be broadly based, both across income levels of domestic consumers, sources of expenditure (business and foreign tourists, as well as domestic consumers) and, increasingly, regions of the country. This generalised profile of growth is in contrast to the expected pattern of development in many other sectors of the service economy where growth can be expected to be both slower and more cyclical than of late.

The base-line forecasts for hotel and catering employment suggest that the industry needs to plan for higher numbers than expected hitherto. Even under quite pessimistic forecasting assumptions, significant increases in employment levels are forecast over the next five years as a whole. These forecasts have profound implications for manpower policies throughout the industry, particularly in view of the demographic forecasts of a fall in the number of young adults, the traditional recruiting ground for many parts of the hotel and catering industry. They also suggest a need for increasingly skilled staff, particularly in the management and craft areas of the industry.

Finally, the regional forecasts present a different profile than might have been expected, with much growth in hotel and catering employment coming outside London. Substantial increases are expected in the North West, Yorkshire/Humberside and East Anglia in particular, with lower growth in the more traditional, established tourist areas.

* * * * *

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